



RICHFIELD CITY
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

With Report of
Certified Public Accountants



HINTONBURDICK
HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

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FINANCIAL SECTION



HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

Independent Auditors' Report

The Honorable Mayor and
Members of the City Council
Richfield, Utah

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Richfield City, Utah, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Richfield City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Richfield City, Utah as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2006, on our consideration of Richfield City's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-10, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management

regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Richfield City's basic financial statements. The accompanying combining statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Richfield City, Utah. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Hinton, Burdick, Hall & Spilker PLLC
HINTON, BURDICK, HALL & SPILKER, PLLC
October 27, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion of Richfield City's financial performance provides an overview of the City's financial activities for the year ending June 30, 2006. This report is in conjunction with the City's financial statements.

The purpose of the City is to provide general governmental services to its residents which includes general government, public safety, highways and public improvements, parks and recreation, water, sewer, refuse collection and other services as outlined by the City Council and Mayor.

Financial Highlights

- The assets of Richfield City exceeded its liabilities as of the close of the most recent fiscal year by \$16,806,406 (net assets). Of this amount, \$1,899,539 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. Richfield City's total net assets increased by \$1,597,830.
- At the close of the current year, the Richfield City governmental fund reported ending fund balance of \$1,718,417, an increase of \$209,166 in comparison with the prior year.
- Richfield City issued new debt totaling \$200,000. The debt was issued for the purchase of a new fire truck.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Richfield City's basic financial statements. Richfield City's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Richfield City's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of Richfield City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Richfield City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Richfield City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Richfield City include general government, public safety, highways and public improvements, and parks and recreation. The business-type activities of Richfield City are water, sewer, garbage and landfill services.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Richfield City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Richfield City can be divided into three categories: governmental funds, enterprise funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmental fund financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Richfield City maintains four governmental funds; 1) the general fund, which is always a major fund; 2) the capital improvement fund; 3) the special revenue fund and; 4) the debt service fund.

Richfield City adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement has been provided to demonstrate legal compliance with the adopted budget for the general fund.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary (Enterprise) Funds

Richfield City maintains four proprietary funds. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Richfield City uses an enterprise fund to account for its water, sewer, landfill and garbage operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The four enterprise funds are considered major funds of Richfield City.

Refer to the table of contents for the location of the basic enterprise fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Cemetery Perpetual Care Fund is the only fiduciary fund of Richfield City.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Richfield City.

Government-wide Financial Analysis

As noted earlier, net assets may serve, over time, as a useful indicator of a government's financial position. In the case of Richfield City, assets exceeded liabilities by \$16,806,406 at the close of the most recent fiscal year.

By far the largest portion of Richfield's net assets (84%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. Richfield used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Richfield's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Following is a two year comparison of the net assets of the city:

Richfield City Statement of Net Assets

	Governmental activities		Business-type activities	
	2006	2005	2006	2005
Current and other assets	\$ 2,563,430	\$ 1,946,048	\$ 1,390,116	\$ 1,392,842
Capital assets	10,963,710	10,133,691	13,619,606	13,749,409
Total assets	13,527,140	12,079,739	15,009,722	15,142,251
Long-term liabilities outstanding	2,908,155	3,040,430	7,649,791	8,176,721
Other liabilities	889,580	487,302	282,931	308,962
Total liabilities	3,797,735	3,527,732	7,932,722	8,485,683
Net assets:				
Invested in capital assets, net of related debt	8,087,868	7,170,141	5,969,815	5,572,688
Restricted	849,183	854,687	-	-
Unrestricted	792,354	527,179	1,107,185	1,083,880
Total net assets	\$ 9,729,405	\$ 8,552,007	\$ 7,077,000	\$ 6,656,568

Richfield City
Changes in Net Assets

	Governmental activities		Business-type activities	
	2006	2005	2006	2005
Revenues:				
Program revenues:				
Charges for services	\$ 1,272,576	\$ 1,144,127	\$ 2,432,755	2,262,108
Operating grants and contributions	397,241	336,756	-	-
Capital grants and contributions	1,039,309	36,513	-	-
General revenues:				
Taxes	3,322,980	3,061,989	-	-
Unrestricted investment earnings	119,695	68,608	2,102	2,750
Miscellaneous	83,178	247,377	-	-
Transfers	(393)	13,929	393	(13,929)
Total revenues	<u>6,234,586</u>	<u>4,909,299</u>	<u>2,435,250</u>	<u>2,250,929</u>
Expenses:				
General government	767,573	656,470	-	-
Public safety	1,319,646	1,055,505	-	-
Public works	1,472,163	1,429,963	-	-
Parks and recreation	1,151,895	1,205,230	-	-
Community development	271,070	223,996	-	-
Interest on long-term debt	74,841	85,159	-	-
Water	-	-	781,817	744,683
Sewer	-	-	822,384	827,817
Landfill	-	-	211,977	212,271
Refuse	-	-	198,640	192,394
Total expenses	<u>5,057,188</u>	<u>4,656,323</u>	<u>2,014,818</u>	<u>1,977,165</u>
Increase in net assets	1,177,398	252,976	420,432	273,764
Net assets, beginning	8,552,007	8,314,031	6,656,568	6,382,804
Prior period adjustment	-	(15,000)	-	-
Net assets, ending	<u>\$ 9,729,405</u>	<u>\$ 8,552,007</u>	<u>\$ 7,077,000</u>	<u>\$ 6,656,568</u>

Business-type Activities

Business-type activities increased Richfield City's net assets by \$420,432 accounting for 26% of the growth in the government's net assets. Key elements of the changes are shown above.

Financial Analysis of the Government's Funds

As noted earlier, Richfield City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of Richfield City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing Richfield City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

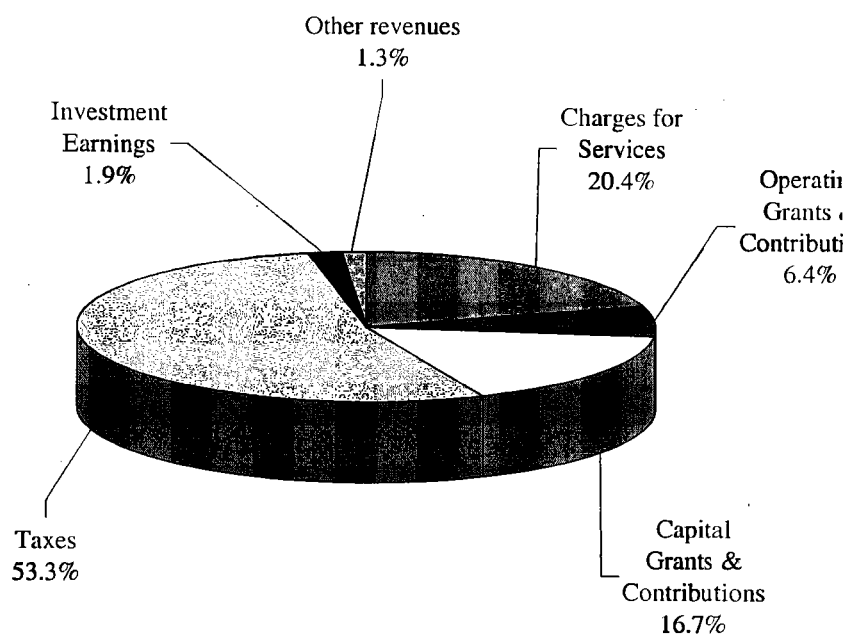
At the end of the year, Richfield City's governmental funds (General, Capital Improvements, Special Revenue, and Debt Service) reported ending fund balances of \$1,718,417, a increase of \$209,167 in comparison with the prior year. Approximately 51% of this amount, \$869,234 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to debt service, \$325,000, 2) capital projects, \$455,460, 3) perpetual care, \$68,723.

The general fund is the chief operating fund of Richfield City. All activities which are not required to be accounted for in separate funds either by state or local ordinance, or by a desire to maintain a matching of revenues and expenses are accounted for in this fund. At the end of the 2006 fiscal year, unreserved fund balance of the general fund was \$869,234. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 19 percent of total general fund expenditures.

Taxes continue to be the largest source of revenue in the General Fund and represent 63% of total general fund revenues. The largest element of taxes is sales tax. It represents 74% of total tax revenues and represents 48% of total general fund revenues.

The following chart displays General Fund revenues as a percent of total revenue.

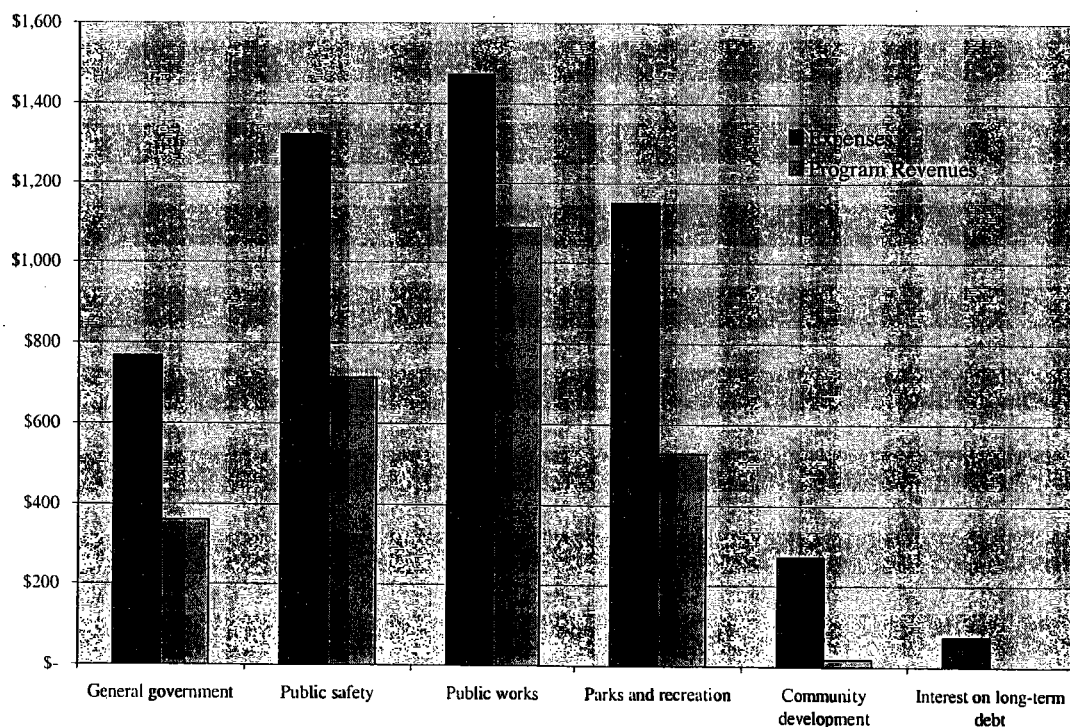
Revenue By Source - Governmental Activities



The following graph displays the expenditures in the General Fund by function for the 2006 fiscal year. As can be seen by reviewing the graph, parks, recreation and public property, and public safety were the two largest departments in the City for the 2006 fiscal year.

Expenses and Program Revenues - Governmental Activities

(in Thousands)



As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separated fund statements included in this report provide the same information for business-type activities as is provided in the governmental-wide financial statements. However, the difference is that the fund statements provide much more detail.

General Fund Budgetary Highlights

During the fiscal year, the General Fund original budget was amended to take advantage of revenues being better than originally anticipated as well as an increase in actual expenditures for the year, specifically operating transfers out and public safety, public works and parks and recreation expenditures.

Capital Asset and Debt Administration

Capital Assets

Richfield City's investment in capital assets for its governmental and business-type activities as of June 30, 2006, was \$24,583,316 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, infrastructure and machinery and equipment. The total increase in Richfield City's investment in capital assets for the current year was \$700,216. Depreciation on capital assets is recognized in the Government-Wide financial statements. Major capital asset events during the fiscal year included the following:

- Machinery & Equipment of \$1,024,918
- Construction in progress of \$598,298

Additional information on the City's capital assets can be found in the notes to the financial statements.

Long-Term Debt

At June 30, 2006, the City had total bonded debt outstanding of \$10,557,946. Of this amount, none is considered to be general obligation debt and backed by the full faith and credit of the City; \$252,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment; and the remainder of \$10,305,946 is debt which is secured solely by specific revenue sources (i.e., revenue bonds).

The City issued new debt of \$200,000 during the fiscal year for the acquisition of a new fire truck.

Additional information on the outstanding debt obligations of the City can be found in the notes to the financial statements.

Economic Factors and Next Year's Budget and Rates

During the 2006 fiscal year, the City's sales tax collections again increased significantly. It is management's opinion that most of the increase is derived from the opening of a new Wal-Mart Supercenter which has been open for approximately two years. We believe that this supercenter has helped Richfield City remain a regional shopping center which is very important to the continued growth of our community. Additional hotels and restaurants have been constructed and also add to the economic health of Richfield.

Another large retailer, Home Depot, has expressed interest in Richfield, and should this development come to fruition, this would further establish Richfield as an important regional shopping center in Central Utah.

Tax rates for the City have remained constant for several years and no increase is anticipated in the short-term. Also, we do not anticipate any major changes in the county or school district tax rates.

Another major economic factor that could have a positive influence on the area and community economically is the construction of a coal fired power plant by Nevco Energy. Their proposal has been approved by the Department of Environmental Quality, but is now in an appeal stage. Should this power plant be built in the next few years, it would add over four hundred million dollars to the County's tax base and would create over 70 jobs.

Another major economic factor is the oil industry. The discovery of oil and the development of several wells in the county will have a major impact on the economy of the area. If additional well are developed, growth in the area could swell. This would not only increase revenues of the city, but would also significantly impact the demand for services by the city, especially in public safety and public works.

One of the major projects that the City is currently involved with is the expansion of Technology Drive, which will allow much better access to Snow College and to the Sevier Valley Events Center.

Budget increases are anticipated in the City because of the growth of the community and in the tax dollars coming into the City from sales tax growth and property tax growth. The economy of the area is very strong and moving in a positive direction at this time.

Requests For Information

This financial report is designed to provide a general overview of Richfield City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Richfield City, Financial Director, 75 East Center Street, P.O. Box 250, Richfield, Utah 84701.

BASIC FINANCIAL STATEMENTS

RICHFIELD CITY, UTAH
Statement of Net Assets
June 30, 2006

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and cash equivalents	\$ 975,926	\$ 1,124,443	\$ 2,100,369
Receivables (net of allowance)	638,536	265,673	904,209
Inventory	100,603	-	100,603
Prepays	1,129	-	1,129
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	847,236	-	847,236
Capital assets (net of accumulated depreciation):			
Land and water	2,088,252	2,655,017	4,743,269
Buildings	1,288,116	15,265	1,303,381
Improvements	5,742,767	-	5,742,767
Machinery and equipment	1,480,748	139,537	1,620,285
Distribution and collection systems	-	10,558,463	10,558,463
Construction in progress	346,974	251,324	598,298
Infrastructure	16,853	-	16,853
Total assets	<u>13,527,140</u>	<u>15,009,722</u>	<u>28,536,862</u>
Liabilities			
Accounts payable and other current liabilities	336,773	125,173	461,946
Deferred revenue	166,673	13,772	180,445
Interest payable	44,567	143,986	188,553
Deposits	341,567	-	341,567
Noncurrent liabilities:			
Due within one year	362,731	495,340	858,071
Due in more than one year	2,545,424	7,154,451	9,699,875
Total liabilities	<u>3,797,735</u>	<u>7,932,722</u>	<u>11,730,457</u>
Net Assets			
Invested in capital assets, net of related debt	8,087,868	5,969,815	14,057,683
Restricted for:			
Debt service	325,000	-	325,000
Capital projects	455,460	-	455,460
Perpetual care	68,723	-	68,723
Unrestricted	792,354	1,107,185	1,899,539
Total net assets	<u>\$ 9,729,405</u>	<u>\$ 7,077,000</u>	<u>\$ 16,806,405</u>

The accompanying notes are an integral part of the financial statements.

RICHFIELD CITY, UTAH
Statement of Activities
For the Year Ended June 30, 2006

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Primary government:						
Governmental activities:						
General government	\$ 767,573	\$ 347,961	\$ -	\$ (406,925)	\$ -	\$ (406,925)
Public safety	1,319,646	5,333	100,196	(606,417)	-	(606,417)
Public works	1,472,163	402,092	297,045	(383,834)	-	(383,834)
Parks and recreation	1,151,895	511,044	-	(623,815)	-	(623,815)
Community development	271,070	6,146	-	(252,230)	-	(252,230)
Interest on long-term debt	74,841	-	-	(74,841)	-	(74,841)
Total governmental activities	5,057,188	1,272,576	397,241	(2,348,062)	-	(2,348,062)
Business-type activities:						
Water	781,817	1,090,332	-	-	308,515	308,515
Sewer	822,384	911,300	-	-	88,916	88,916
Landfill	211,977	229,536	-	-	17,559	17,559
Refuse	198,640	201,587	-	-	2,947	2,947
Total business-type activities	2,014,818	2,432,755	-	-	417,937	417,937
Total primary government	\$ 7,072,006	\$ 3,705,331	\$ 397,241	(2,348,062)	417,937	(1,930,125)
General revenues:						
Taxes:						
Property taxes levied for general purposes				783,409	-	783,409
Sales and use taxes				2,316,593	-	2,316,593
Franchise taxes				222,978	-	222,978
Unrestricted investment earnings				119,695	2,102	121,797
Gain (loss) on disposal of assets				20,000	-	20,000
Miscellaneous				63,178	-	63,178
Transfers				(393)	393	-
Total general revenues & transfers				3,525,460	2,495	3,527,955
Change in net assets				1,177,398	420,432	1,597,830
Net assets - beginning				8,552,007	6,656,568	15,208,575
Net assets - ending				\$ 9,729,405	\$ 7,077,000	\$ 16,806,405

The accompanying notes are an integral part of the financial statements.

RICHFIELD CITY, UTAH
Balance Sheet
Governmental Funds
June 30, 2006

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 964,168	\$ 11,758	\$ -	\$ 975,926
Receivables	15,193	137,892	167,610	320,695
Due from other governments	317,841	-	-	317,841
Inventory	100,603	-	-	100,603
Prepaid expenses	1,129	-	-	1,129
Restricted cash and cash equivalents	-	378,694	468,542	847,236
Total assets	<u>\$ 1,398,934</u>	<u>\$ 528,344</u>	<u>\$ 636,152</u>	<u>\$ 2,563,430</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 96,762	\$ 141,343	\$ -	\$ 238,105
Accrued liabilities	91,246	-	-	91,246
Retention payable	-	7,422	-	7,422
Deposits	341,567	-	-	341,567
Deferred revenue	125	-	166,548	166,673
Total liabilities	<u>529,700</u>	<u>148,765</u>	<u>166,548</u>	<u>845,013</u>
Fund Balances:				
Reserved for:				
Debt service	-	-	325,000	325,000
Capital outlay	-	379,579	75,881	455,460
Perpetual care	-	-	68,723	68,723
Unreserved, reported in:				
General fund	768,631	-	-	768,631
General fund, designated	100,603	-	-	100,603
Total fund balances	<u>869,234</u>	<u>379,579</u>	<u>469,604</u>	<u>1,718,417</u>
Total liabilities and fund balances	<u>\$ 1,398,934</u>	<u>\$ 528,344</u>	<u>\$ 636,152</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

10,963,710

Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.

(2,952,722)

Net assets of governmental activities

\$ 9,729,405

The accompanying notes are an integral part of the financial statements.

RICHFIELD CITY, UTAH
Statement of Revenues, Expenditures, and Changes in
Fund Balances – Governmental Funds
For the Year Ended June 30, 2006

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 485,545	\$ -	\$ 206,112	\$ 691,657
Fees in lieu of property taxes	91,752	-	-	91,752
Sales and use taxes	2,316,593	-	-	2,316,593
Franchise taxes	222,978	-	-	222,978
Licenses, permits and fees	150,741	-	-	150,741
Intergovernmental revenue	412,190	908,103	-	1,320,293
Charges for services	1,119,581	-	-	1,119,581
Rental income	-	-	290,667	290,667
Special assessments	-	-	88,788	88,788
Contributions and donations	12,687	17,036	-	29,723
Investment earnings	92,437	3,138	24,120	119,695
Other revenues	68,870	-	14,308	83,178
Total revenues	4,973,374	928,277	623,995	6,525,646
Expenditures				
Current:				
General government	761,765	-	148,770	910,535
Public safety	1,182,732	9,492	-	1,192,224
Public works	1,247,720	120,294	-	1,368,014
Parks and recreation	1,034,251	3,142	-	1,037,393
Community development	268,789	-	-	268,789
Debt service:				
Principal	30,438	-	318,000	348,438
Interest	20,048	-	60,730	80,778
Capital outlay:				
Capital outlay	-	1,309,916	-	1,309,916
Total expenditures	4,545,743	1,442,844	527,500	6,516,087
Excess (deficiency) of revenues over (under) expenditures	427,631	(514,567)	96,495	9,559
Other Financing Sources (Uses)				
Bond proceeds	-	200,000	-	200,000
Operating transfers in	29,580	315,452	90,000	435,032
Operating transfers out	(290,452)	-	(144,973)	(435,425)
Total other financing sources and uses	(260,872)	515,452	(54,973)	199,607
Net change in fund balances	166,759	885	41,522	209,166
Fund balances, beginning of year	702,475	378,694	428,082	1,509,251
Fund balances, end of year	<u>\$ 869,234</u>	<u>\$ 379,579</u>	<u>\$ 469,604</u>	<u>\$ 1,718,417</u>

The accompanying notes are an integral part of the financial statements.

RICHFIELD CITY, UTAH
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in fund balances - total governmental funds (page 14)	\$ 209,166
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	830,019
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	332,276
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(200,000)
Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.	<u>5,937</u>
Change in net assets of governmental activities	<u><u>\$ 1,177,398</u></u>

The accompanying notes are an integral part of the financial statements.

RICHFIELD CITY, UTAH
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 472,485	\$ 472,485	\$ 485,545	\$ 13,060
Fees in lieu of property taxes	90,500	90,500	91,752	1,252
Sales and use taxes	2,142,243	2,303,000	2,316,593	13,593
Franchise taxes	199,000	223,000	222,978	(22)
Licenses, permits and fees	121,000	150,600	150,741	141
Intergovernmental revenue	335,059	395,673	412,190	16,517
Charges for services	942,267	1,093,601	1,119,581	25,980
Contributions and donations	-	12,687	12,687	-
Investment earnings	37,000	93,000	92,437	(563)
Other revenues	27,851	74,000	68,870	(5,130)
Total revenues	4,367,405	4,908,546	4,973,374	64,828
Expenditures				
Current:				
General government	759,726	777,274	761,765	15,509
Public safety	1,143,807	1,212,329	1,182,732	29,597
Public works	1,174,341	1,343,795	1,247,720	96,075
Parks and recreation	897,227	1,021,717	1,034,251	(12,534)
Community development	248,091	262,551	268,789	(6,238)
Debt service:				
Principal	30,438	30,438	30,438	-
Interest	20,048	20,048	20,048	-
Total expenditures	4,273,678	4,668,152	4,545,743	122,409
Excess (deficiency) of revenues over (under) expenditures	93,727	240,394	427,631	187,237
Other Financing Sources (Uses)				
Operating transfers in	11,300	28,962	29,580	618
Operating transfers out	(105,027)	(302,131)	(290,452)	11,679
Total other financing sources and uses	(93,727)	(273,169)	(260,872)	12,297
Net change in fund balances	-	(32,775)	166,759	199,534
Fund balances, beginning of year	702,475	702,475	702,475	-
Fund balances, end of year	\$ 702,475	\$ 669,700	\$ 869,234	\$ 199,534

The accompanying notes are an integral part of the financial statements.

RICHFIELD CITY, UTAH
Statement of Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Funds</u>	<u>Totals 2006</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 438,718	\$ 672,122	\$ 13,603	\$ 1,124,443
Receivables, net of allowance	138,338	87,296	40,039	265,673
Due from other funds	-	-	3,697	3,697
Total current assets	<u>577,056</u>	<u>759,418</u>	<u>57,339</u>	<u>1,393,813</u>
Noncurrent assets:				
Capital assets:				
Land and water	2,073,367	581,650	-	2,655,017
Buildings	23,664	122,482	-	146,146
Machinery and equipment	234,518	381,826	-	616,344
Distribution and collection systems	5,994,830	8,841,406	-	14,836,236
Construction in progress	251,324	-	-	251,324
Less: Accumulated depreciation	<u>(1,743,891)</u>	<u>(3,141,570)</u>	<u>-</u>	<u>(4,885,461)</u>
Total noncurrent assets	<u>6,833,812</u>	<u>6,785,794</u>	<u>-</u>	<u>13,619,606</u>
Total assets	<u>7,410,868</u>	<u>7,545,212</u>	<u>57,339</u>	<u>15,013,419</u>
Liabilities				
Current liabilities:				
Accounts payable	14,698	3,141	34,441	52,280
Customer deposits	72,893	-	-	72,893
Interest payable	79,461	64,525	-	143,986
Due to other funds	-	-	3,697	3,697
Current portion of noncurrent liabilities	<u>225,986</u>	<u>269,354</u>	<u>-</u>	<u>495,340</u>
Total current liabilities	<u>393,038</u>	<u>337,020</u>	<u>38,138</u>	<u>768,196</u>
Noncurrent liabilities:				
Deferred revenue	13,772	-	-	13,772
Leases payable	109,361	92,518	-	201,879
Notes payable	724,795	-	-	724,795
Bonds payable	2,807,940	3,915,177	-	6,723,117
Less current portion of noncurrent liabilities	<u>(225,986)</u>	<u>(269,354)</u>	<u>-</u>	<u>(495,340)</u>
Total noncurrent liabilities	<u>3,429,882</u>	<u>3,738,341</u>	<u>-</u>	<u>7,168,223</u>
Total liabilities	<u>3,822,920</u>	<u>4,075,361</u>	<u>38,138</u>	<u>7,936,419</u>
Net Assets				
Invested in capital assets, net of related debt	3,191,716	2,778,099	-	5,969,815
Unrestricted	<u>396,232</u>	<u>691,752</u>	<u>19,201</u>	<u>1,107,185</u>
Total net assets	<u>\$ 3,587,948</u>	<u>\$ 3,469,851</u>	<u>\$ 19,201</u>	<u>\$ 7,077,000</u>

The accompanying notes are an integral part of the financial statements.

RICHFIELD CITY, UTAH
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Funds</u>	<u>Totals 2006</u>
Operating revenues:				
Charges for services	\$ 867,034	\$ 817,801	\$ 431,123	\$ 2,115,958
Penalties	12,614	-	-	12,614
Other revenues	110,160	930	-	111,090
Total operating revenues	<u>989,808</u>	<u>818,731</u>	<u>431,123</u>	<u>2,239,662</u>
Operating expenses:				
Bad debts	487	424	256	1,167
Contractual services	98,000	98,000	406,667	602,667
Depreciation	169,128	284,884	-	454,012
Employee benefits	41,195	60,104	-	101,299
Insurance	25,000	31,045	-	56,045
Miscellaneous	1,362	691	-	2,053
Office expense	4,291	4,600	3,694	12,585
Professional services	17,932	9,242	-	27,174
Repairs and maintenance	5,193	8,685	-	13,878
Salaries and wages	84,098	114,595	-	198,693
Supplies	126,030	33,756	-	159,786
Travel and training	5,576	1,044	-	6,620
Utilities	85,665	16,765	-	102,430
Total operating expenses	<u>663,957</u>	<u>663,835</u>	<u>410,617</u>	<u>1,738,409</u>
Operating income (loss)	<u>325,851</u>	<u>154,896</u>	<u>20,506</u>	<u>501,253</u>
Nonoperating revenues (expenses):				
Connection and impact fees	100,524	92,569	-	193,093
Interest income	2,102	-	-	2,102
Interest expense and fiscal charges	(117,860)	(158,549)	-	(276,409)
Total nonoperating revenues (expenses)	<u>(15,234)</u>	<u>(65,980)</u>	<u>-</u>	<u>(81,214)</u>
Income before contributions and transfers	<u>310,617</u>	<u>88,916</u>	<u>20,506</u>	<u>420,039</u>
Contributions and transfers:				
Transfers from other funds	42,952	-	-	42,952
Transfers to other funds	(12,500)	(12,500)	(17,559)	(42,559)
Total contributions and transfers	<u>30,452</u>	<u>(12,500)</u>	<u>(17,559)</u>	<u>393</u>
Change in net assets	<u>341,069</u>	<u>76,416</u>	<u>2,947</u>	<u>420,432</u>
Total net assets, beginning of year	<u>3,246,879</u>	<u>3,393,435</u>	<u>16,254</u>	<u>6,656,568</u>
Total net assets, end of year	<u>\$ 3,587,948</u>	<u>\$ 3,469,851</u>	<u>\$ 19,201</u>	<u>\$ 7,077,000</u>

The accompanying notes are an integral part of the financial statements.

RICHFIELD CITY, UTAH
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

	Water Fund	Sewer Fund	Nonmajor Funds	Totals 2006
Cash flows from operating activities:				
Cash received from customers, service fees	\$ 844,661	\$ 814,776	\$ 430,054	\$ 2,089,491
Cash received from customers, capacity fees and other	122,774	930	-	123,704
Cash paid to suppliers	(369,136)	(205,509)	(427,362)	(1,002,007)
Cash paid to employees	(125,293)	(174,699)	-	(299,992)
Net cash flows from operating activities	<u>473,006</u>	<u>435,498</u>	<u>2,692</u>	<u>911,196</u>
Cash flows from noncapital financing activities:				
Transfers (to) from other funds	30,452	(12,500)	(17,559)	393
Net cash flows from noncapital financing activities	<u>30,452</u>	<u>(12,500)</u>	<u>(17,559)</u>	<u>393</u>
Cash flows from capital and related financing activities:				
Principal payments on long-term debt	(267,050)	(259,882)	-	(526,932)
Interest paid	(121,271)	(162,771)	-	(284,042)
Purchase of fixed assets	(271,902)	(52,306)	-	(324,208)
Reduction in deferred revenue	(979)	-	-	(979)
Connection and impact fees	100,524	92,569	-	193,093
Net cash flows from capital and related financing activities:	<u>(560,678)</u>	<u>(382,390)</u>	<u>-</u>	<u>(943,068)</u>
Cash flows from investing activities:				
Interest on investments	2,102	-	-	2,102
Net change in cash and cash equivalents	(55,118)	40,608	(14,867)	(29,377)
Cash and cash equivalents, beginning of year	493,836	631,514	28,470	1,153,820
Cash and cash equivalents, end of year	<u>\$ 438,718</u>	<u>\$ 672,122</u>	<u>\$ 13,603</u>	<u>\$ 1,124,443</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Net operating income (loss)	\$ 325,851	\$ 154,896	\$ 20,506	\$ 501,253
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities				
Depreciation/amortization	169,128	284,884	-	454,012
Changes in operating assets and liabilities:				
(Increase) Decrease in receivables	(22,557)	(3,025)	(1,069)	(26,651)
(Increase) Decrease in due from other funds	-	-	(3,697)	(3,697)
Increase (Decrease) in accounts payable	400	(1,257)	(16,745)	(17,602)
Increase (Decrease) in retention payable	-	-	-	-
Increase (Decrease) in customer deposits	184	-	-	184
Increase (Decrease) in due to other funds	-	-	3,697	3,697
Net cash flows from operating activities	<u>\$ 473,006</u>	<u>\$ 435,498</u>	<u>\$ 2,692</u>	<u>\$ 911,196</u>
Noncash investing, capital, and financing activities				

None Noted

The accompanying notes are an integral part of the financial statements.

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies

General

The financial statements of Richfield City, Utah have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is whether or not the City exercises significant influence over the potential component unit. Significant influence or accountability is based primarily on operational or financial relationships with the City. Based on these criteria, the City has no component units to be included in the financial statements of the City.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, room taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

The City reports the following major governmental fund:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Capital Projects Fund is used to account used for the construction of city approved projects.

The City reports the following major proprietary funds:

The Water Fund is used to account for the provision of water services to the residents of the City.

The Sewer Fund is used to account for the provision of sewer services to the residents of the City.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted assets are available for use, it is the City's policy to use restricted assets first, then unrestricted assets as they are needed. The City does reserve the right to be selective in the use of such restricted assets that best fit the City's needs.

Deposits and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds." All trade accounts receivable in the enterprise funds are shown net of an allowance for uncollectibles. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

Inventories and prepaid items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories of the business type activities are valued at the lower of FIFO cost or market. Market is considered as replacement cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as computer and office equipment with an estimated useful life in excess of three years and other assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Enterprise fund assets purchased prior to July 1, 2003 were not subject to the cost limit of \$5,000 and were capitalized if they had an estimated life in excess of 3 years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. The City has elected not to report its major general infrastructure assets retroactively. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Improvements	20-40 years
Machinery and equipment	3-10 years
Distribution system	30-40 years
Infrastructure	40 years

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 1. Summary of Significant Accounting Policies, Continued

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and comp time in the proprietary funds are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

Accumulated unpaid vacation pay and comp time are accrued based upon the City's expected legal obligation as of the statement date. No provision is made for accumulated sick leave because the City is not obligated to pay accumulated sick leave upon termination or retirement.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

Encumbrances

Encumbrance accounting under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation is not employed by the City.

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds payable	\$ 2,086,000
Notes payable	477,113
Special assessments	252,000
Compensated absences	93,042
Accrued interest payable	44,567
	<u>\$ 2,952,722</u>

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 1,347,627
Depreciation expense	<u>(546,453)</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental funds	<u>\$ 801,174</u>

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 3. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

Annual budgets are reported and adopted by the City Council on or before June 22 for the fiscal year commencing the following July 1 in accordance with State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures. Prior to June 22, a public hearing is conducted to obtain taxpayer input. Budgets are adopted and control of budget appropriations is exercised, under State Law, at the department level. Budget amendments are required to increase expenditure budgets and are adopted, in a public hearing, before the end of the fiscal year. The budget was amended during the current fiscal year.

The General Fund budget is prepared using the modified accrual basis of accounting. Budgets for the proprietary fund types are prepared using the accrual basis of accounting, except that depreciation for all proprietary fund types is not budgeted.

Taxes

Property taxes are collected by the Sevier County Treasurer and remitted to the City in monthly installments. Taxes are levied each October on the taxable value listed as of the prior January 1 for all real property located in the City. Taxable values are established by the County Assessor at 55 percent of the fair market value on primary residential property and 100 percent of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly.

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 4. Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2006, \$623,008 of the City's bank balance of \$751,170 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 4. Deposits and Investments, Continued

amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments. Financial statements for the PTIF funds can be obtained by contacting the Utah State Treasurer's office.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2006 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Utah Public Treasurers' Investment Fund	\$ 2,384,019	\$ 2,384,019	\$ -	\$ -	\$ -
Total Fair Value	<u>\$ 2,384,019</u>	<u>\$ 2,384,019</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At June 30, 2006 the City had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Utah Public Treasurers' Investment Fund	\$ 2,384,019	\$ -	\$ -	\$ -	\$ 2,384,019
Total Fair Value	<u>\$ 2,384,019</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,384,019</u>

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 5. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

Governmental Type Activities:

Governmental Activities:

	Balance 6/30/2005	Additions	Deletions	Balance 6/30/2006
Capital assets, not being depreciated:				
Land	\$ 2,088,252	\$ -	\$ -	\$ 2,088,252
Total capital assets, not being depreciated	2,088,252	-	-	2,088,252
Capital assets, being depreciated:				
Buildings	3,972,507	-	-	3,972,507
Improvements	8,116,157	23,708	-	8,139,865
Machinery & equipment	2,451,083	1,005,790	63,901	3,392,972
Infrastructure	18,618	-	-	18,618
Construction in progress	-	346,974	-	346,974
Total capital assets, being depreciated	14,558,365	1,376,472	63,901	15,870,936
Less accumulated depreciation for:				
Buildings	(2,615,728)	(68,664)	-	(2,684,392)
Improvements	(2,155,087)	(242,011)	-	(2,397,098)
Machinery & equipment	(1,741,277)	(234,848)	(63,901)	(1,912,224)
Construction in progress	(834)	(931)	-	(1,765)
Total accumulated depreciation	(6,512,926)	(546,454)	(63,901)	(6,995,479)
Total capital assets, being depreciated, net	8,045,439	830,018	-	8,875,457
Governmental activities capital assets, net	\$ 10,133,691	\$ 830,018	\$ -	\$ 10,963,709

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental Activities:

General government	\$ 143,665
Public safety	152,227
Highways	137,819
Parks and recreation	110,462
Community development	2,281
Total depreciation expense - governmental activities	\$ 546,454

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 5. Capital Assets, Continued

Business Type Activities:

	Balance 6/30/2005	Additions	Deletions	Balance 6/30/2006
Capital assets not being depreciated:				
Land and water rights	\$ 2,655,017	\$ -	\$ -	\$ 2,655,017
Total capital assets, not being depreciated	<u>2,655,017</u>	<u>-</u>	<u>-</u>	<u>2,655,017</u>
Capital assets being depreciated:				
Buildings	146,146	-	-	146,146
Machinery and equipment	653,974	19,128	56,758	616,344
Distribution system	14,782,479	53,758	-	14,836,237
Construction in progress	-	251,324	-	251,324
Total capital assets, being depreciated	<u>15,582,599</u>	<u>324,210</u>	<u>56,758</u>	<u>15,850,051</u>
Less accumulated depreciation for:				
Buildings	(129,666)	(1,215)	-	(130,881)
Machinery and equipment	(477,574)	(55,991)	(56,758)	(476,807)
Distribution system	<u>(3,880,967)</u>	<u>(396,807)</u>	<u>-</u>	<u>(4,277,774)</u>
Total accumulated depreciation	<u>(4,488,207)</u>	<u>(454,013)</u>	<u>(56,758)</u>	<u>(4,885,462)</u>
Total capital assets, being depreciated, net	<u>11,094,392</u>	<u>(129,803)</u>	<u>-</u>	<u>10,964,589</u>
Business-type activities capital assets, net	<u>\$ 13,749,409</u>	<u>\$ (129,803)</u>	<u>\$ -</u>	<u>\$ 13,619,606</u>

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 6. Long-Term Debt

The following is a summary of changes in long-term debt for the primary for the year ended June 30, 2006:

	Primary Government				
	Balance 6/30/2005	Additions	Retirements	Balance 6/30/2006	Current Portion
Governmental Activities:					
Note payable	\$ 507,550	\$ -	\$ 30,437	\$ 477,113	\$ 31,731
Special assessments	328,000	-	76,000	252,000	80,000
Revenue bonds	2,128,000	200,000	242,000	2,086,000	251,000
Accrued compensated absences	76,880	16,162	-	93,042	-
Governmental activity					
Long-term liabilities	3,040,430	216,162	348,437	2,908,155	362,731
Business-type Activities:					
Note payable	745,233	-	20,439	724,795	21,655
Revenue bonds	7,182,628	-	459,511	6,723,117	424,793
Capital leases	248,860	-	46,981	201,879	48,892
Business type activity					
Long-term liabilities	8,176,721	-	526,931	7,649,791	495,340
Total long-term liabilities	\$ 11,217,151	\$ 216,162	\$ 875,368	\$ 10,557,946	\$ 858,071

Long-term debt for the primary government at June 30, 2006 is comprised of the following issues:

(1) Notes Payable:

Water Fund:

Note Payable Doug & Mona Peterson with annual principal and interest installments of \$50,000 through 2006 and \$80,000 thereafter, bearing interest at 5.0%, maturing December 21, 2017. \$ 680,930

Note Payable Zions First National Bank with annual principal and interest installments of \$7,102, currently bearing interest at 3.188% (variable with prime), maturing June 24, 2013. 43,865

Total notes payable for business-type activities 724,795

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 6. Long-Term Debt, Continued

General:

Note Payable Zions Bank with annual principal and interest installments of \$50,486, bearing interest at 3.9%, maturing March 1, 2018.	477,113
Total notes payable for governmental activities	477,113
Total notes payable	1,201,908

(2) Special Assessment Bonds:

1997-2 Special Assessment Revenue Bonds, Series 1998A due in annual principal and interest installments ranging from \$92,488 to \$93,909, with interest ranging from 4.95%-5.10%, maturing December 1, 2008.	252,000
Total special assessment bonds	252,000

(3) General Obligation Bonds:

None

(4) Revenue Bonds:

Water Fund:

Flood Prevention Revenue Bonds, Series 1986, due in annual principal installments of \$30,000, with 0% interest, maturing January 1, 2007.	30,000
Water Revenue Bonds, Series 1997, due in annual principal and interest installments of \$56,169.81, with interest of 5.0%, maturing March 1, 2008.	51,171
Water Revenue Bonds, Series 1997, due in annual principal and interest installments of \$35,825.97, with interest of 3.0%, maturing March 1, 2008.	33,769
Water Revenue Bonds, Series 1996, due in annual principal and interest installments of varying amounts, with 3.0% interest, maturing April 1, 2012.	68,000

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 6. Long-Term Debt, Continued

Parity Water Revenue Bonds, Series 2003A, due in annual principal and interest installments of varying amounts of approximately \$45,000, with interest at 2.5%, maturing March 1, 2024. 645,000

Parity Water Revenue Bonds, Series 2003B, due in annual principal and interest installments of varying amounts, beginning at \$70,000 and increasing to \$141,450 at maturity of July 1, 2024, with interest at 2.5%. 1,980,000

Sewer Fund:

Parity Sewer Revenue Bonds, Series 1999, due in annual installments of varying amounts, with 4.0% hardship grant interest assessment, maturing February 1, 2020. 3,296,916

Sewer Revenue Bonds, Series 1983, due in annual installments of principal and interest of \$26,666.67, with interest at 0.0%, maturing January 1, 2014. 213,332

Sewer Revenue Bonds, Series 1983, due in annual installments of principal and interest of \$61,391.54, with interest at 4.5%, maturing January 1, 2014. 404,929

Total revenue bonds for business-type activities 6,723,117

General Fund:

Building Authority Golf Course Bonds, Series 2000A due in annual principal installments of \$25,000, with interest at 0.0%, maturing July 1, 2022. 425,000

Building Authority Golf Course Bonds, Series 2000B due in annual installments of principal and interest of varying amounts of approximately \$80,000, with interest at 2.5%, maturing July 1, 2022. 1,100,000

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 6. Long-Term Debt, Continued

Downtown Enhancement Project, Series A, due in annual installments of principal and interest of varying amounts, with a interest at 2.5%, maturing April 1, 2018.	293,000
Downtown Enhancement Project Series B, due in annual installments of principal and interest of varying amounts, with interest at 1.5%, maturing April 1, 2018.	88,000
Building Authority Revenue Bond, Series 2005 due in annual installments of principal amounts of \$20,000, no interest, maturing April 1, 2015.	<u>180,000</u>
Total revenue bonds for governmental activities	<u>2,086,000</u>
Total revenue bonds	<u>8,809,117</u>
(5) Leases Payable:	
Sewer Fund:	
Lease payable in annual installments of \$22,481 through October 10, 2010, at interest of 3.65%.	92,518
Water Fund:	
Lease payable in semi-annual installments of \$16,985 through July 1, 2009, at interest of 4.27%.	<u>109,361</u>
Total leases payable	<u>201,879</u>
Accrued vacation and comp time payable	<u>93,042</u>
Total long-term debt	10,557,946
Less: Current portion	
Business-type activities	(495,340)
Governmental-type activities	<u>(362,731)</u>
Net long-term debt	<u><u>\$ 9,699,875</u></u>

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 6. Long-Term Debt, Continued

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

The Governmental Accounting Standards Board requires special assessment debt to be recorded on the books when establishment and maintenance of a guarantee fund is required; however, the Assessment Bonds are not general obligations of the City, but are payable exclusively out of the Special Assessment Fund and the Guaranty Fund. The City shall not be held liable for the payment of the Assessment Bonds, except to the extent of the Special Assessment Fund and Guaranty Fund, but shall be held responsible for the lawful levy of all regular assessments, for the maintenance of the Guaranty Fund as provided by law, and for the faithful accounting, collection, settlement and payment of the assessments and the moneys in said Funds

The annual requirements to amortize bonds and notes payable at June 30, 2006 are as follows:

Fiscal Period Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	362,731	67,670	446,448	258,793
2008	233,016	57,264	374,085	243,667
2009	239,354	49,980	458,916	227,865
2010	155,745	42,371	473,483	211,869
2011-2015	835,544	165,466	2,492,955	798,291
2016-2020	682,723	69,221	2,378,025	355,092
2021-2025	306,000	11,650	824,000	60,625
Total	<u>\$ 2,815,113</u>	<u>\$ 463,622</u>	<u>\$ 7,447,912</u>	<u>\$ 2,156,202</u>

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 7. Capital Leases

The City has entered into two lease agreements, which are considered capital leases in accordance with Financial Accounting Standard Board statement number 13. The leases are with Zions Bank and are recorded in the sewer fund and water. Equipment under capitalized leases at June 30, 2006 amounts to \$134,308 in the sewer fund and \$184,460 in the water fund. Accumulated depreciation on the assets is \$80,585 and \$17,764 respectively. The following is an annual schedule of future minimum lease payments at 3.65% and 4.27%, under the capital leases, together with the present value of the net minimum lease payments:

<u>Year Ending June 30</u>	<u>Sewer Fund</u>	<u>Water Fund</u>
2007	22,481	33,971
2008	22,481	33,971
2009	22,480	33,971
2010	22,481	16,985
2011	11,241	-
Total remaining minimum lease payments	101,164	118,898
Less amount representing interest	(8,646)	(9,537)
Present value of net remaining minimum lease payments	<u>\$ 92,518</u>	<u>\$ 109,361</u>

NOTE 8. Defeasance of Long-Term Debt

In prior years, Richfield City defeased certain general obligation and other bonds by placing the proceeds for new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2006, \$1,571,548 of bonds outstanding is considered defeased.

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 9. Equity Classifications

Equity is classified in the government-wide financial statements as net assets and is displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

At June 30, 2006, the City’s reserved and designated fund balances are as follows:

General Fund:

Designated:

Inventories	\$ 100,603
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Capital Projects Fund:

Reserved:

Capital improvements	\$ 379,579
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Debt Service Funds:

Reserved:

1994 Street Improvement District	\$ 2,178
SID Guaranty Fund	11,415
Main Street Improvement Fund	120,683
	<u>\$ 134,276</u>

Trust Fund:

Reserved:

Cemetery Perpetual Care	\$ 68,723
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Special Revenue Funds:

Reserved:

Debt service	\$ 190,724
Capital improvements	75,881
	<u>\$ 266,605</u>

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 10. Defined Benefit Pension Plan

All full-time employees of the City participate in the Utah State-Wide Local Government Retirement Systems (Systems).

Plan Description

Richfield City contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor.

The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 S., Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, Richfield City is required to contribute 11.09% of their annual covered salary, and in the Public Safety System the City is required to contribute 19.34% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 10. Defined Benefit Pension Plan, Continued

The required contributions and amounts received for the 2006 fiscal year and the two previous years are as follows:

<u>Year</u>	<u>Employee paid contributions</u>	<u>Employer paid for employee contributions</u>	<u>Employer contributions</u>	<u>Salary subject to retirement contributions</u>
Noncontributory System:				
Local Governmental Division				
2006	N/A	N/A	\$ 99,059	\$ 893,223
2005	N/A	N/A	87,093	785,327
2004	N/A	N/A	79,231	823,611
Public Safety System:				
Other Division A Noncontributory				
2006	N/A	N/A	\$ 75,801	\$ 391,940
2005	N/A	N/A	76,469	400,779
2004	N/A	N/A	59,035	363,515

The contributions were equal to the required contributions for each year.

NOTE 11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk financing activities are accounted for in various operating funds, with unallocated or City-wide activities being accounted for in the general fund.

The City maintains insurance for general liability, auto liability, and employee dishonesty through The St. Paul Insurance Company. Worker's compensation coverage is carried through the Worker's Compensation Fund of Utah.

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 12. Interfund Balances and Transfers

Interfund transfers for the year ended June 30, 2006, consisted of the following:

	Transfers From				
	General Fund	Capital Projects Fund	Nonmajor Governmental	Nonmajor Enterprise	Total
General Fund	\$ -	\$ -	\$ 12,021	\$ 17,559	\$ 29,580
Capital Projects	290,452	-	-	25,000	315,452
Nonmajor Governmental	-	-	90,000	-	90,000
Nonmajor Enterprise	-	-	42,952	-	42,952
Total	\$ 290,452	\$ -	\$ 144,973	\$ 42,559	\$ 477,984

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Individual fund receivable and payable balances at June 30, 2006 were:

	Due From	
	General Fund	Nonmajor Enterprise
General Fund	\$ -	\$ -
Nonmajor Enterprise	-	3,697
Total	\$ -	\$ 3,697

Interfund balances resulted from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

RICHFIELD CITY, UTAH
Notes to the Financial Statements
June 30, 2006

NOTE 13. Redevelopment Agency

The redevelopment agency was set up by the City and is reported in these financial statements as a blended component unit. The bonds of the agency are not legal obligations of the City and should they become delinquent are not backed by the good faith of the tax base of the City. The Agency is governed by a separate board appointed by the City Council. At this time, the Council has elected to appoint themselves as the governing board. The Richfield City Building Authority constructed certain parking lot improvements within the boundaries of the RDA. The RDA leases the improvements from the Building Authority, renewable each year. The lease revenues are used to make the bond payments. The land and improvements are included as governmental capital assets in the statement of net assets. The bonds are also included in the governmental column of the statement of net assets. The agency is accounted for under the modified accrual basis of accounting, the same as the general fund.

The City's redevelopment agency has only one project area. All revenues since the inception of the RDA have been used for parking and asphalt improvements in that area (downtown Richfield).

The following is information concerning the taxes collected, bonds outstanding and costs expended for the fiscal year ended June 30, 2006.

Tax increment collected	\$	181,602
Tax increment paid to taxing entities		None
Outstanding bonds	\$	381,000
Outstanding loans		None
Funds expended:		
Acquisition of property		None
Site improvements		None
Public utilities		None
Administrative costs	\$	4,500

NONMAJOR FUNDS

DEBT SERVICE FUNDS

The Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

1994 Street Improvement District Fund – This fund is used to account for the funds accumulated and payments made for the Series 1994 Special Assessment Bonds.

SID Guaranty Fund – This fund is used to account for the property tax revenues used to guaranty payment of the Series 1994 Special Assessment Bonds and the Series 1997-2 Special Improvement Bonds.

Main Street Improvement Fund – This fund is used to account for the funds accumulated and payments made for the Series 1997-2 Special Assessment Bonds.

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Redevelopment Agency Fund – This fund is used to account for property tax revenues to be used on redevelopment projects.

Peterson UDAG Fund – This fund is used to account for federal government grant funds to be used on economic development projects as approved by the City council.

Building Authority Fund – This fund is used to collect rent revenues from Richfield City and Richfield City Redevelopment Agency and to use those revenues to pay off the bonded indebtedness incurred to finance the construction of several downtown improvement projects and golf course improvements.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for the purposes that support the reporting government's programs.

Perpetual Care Permanent Fund – This fund is used to account for the principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

PROPRIETARY FUNDS

Proprietary funds are used to account for the provision of utility services to the residents of the City

Landfill Fund – This fund is used to account for the billings and collections of landfill services. The City keeps a portion of the billings as an administrative fee and remits the remainder to Sevier County.

Refuse Collection Fund – This fund is used to account for the provision of refuse collection for the residents of the City.

RICHFIELD CITY, UTAH
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006

	Debt Service			
	1994 Street Improvement District	SID Guaranty	Main St. Improvement	Total
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Receivables	40,194	-	126,354	166,548
Restricted cash and cash equivalents	2,178	11,415	120,683	134,276
Total assets	<u>\$ 42,372</u>	<u>\$ 11,415</u>	<u>\$ 247,037</u>	<u>\$ 300,824</u>
Liabilities and Fund Balances				
Liabilities:				
Deferred revenue	\$ 40,194	\$ -	\$ 126,354	\$ 166,548
Total liabilities	<u>40,194</u>	<u>-</u>	<u>126,354</u>	<u>166,548</u>
Fund Balances:				
Reserved for:				
Debt service	2,178	11,415	120,683	134,276
Capital outlay	-	-	-	-
Perpetual care	-	-	-	-
Unreserved, undesignated	-	-	-	-
Total fund balances	<u>2,178</u>	<u>11,415</u>	<u>120,683</u>	<u>134,276</u>
Total liabilities and fund balances	<u>\$ 42,372</u>	<u>\$ 11,415</u>	<u>\$ 247,037</u>	<u>\$ 300,824</u>

Special Revenue				Permanent Fund	Total Nonmajor Governmental Funds
Redevelopment Agency	UDAG	Building Authority	Total	Perpetual Care	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,062	167,610
47,323	\$ 28,558	190,724	266,605	67,661	468,542
<u>\$ 47,323</u>	<u>\$ 28,558</u>	<u>\$ 190,724</u>	<u>\$ 266,605</u>	<u>\$ 68,723</u>	<u>\$ 636,152</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 166,548
-	-	-	-	-	166,548
-	-	190,724	190,724	-	325,000
47,323	28,558	-	75,881	-	75,881
-	-	-	-	68,723	68,723
-	-	-	-	-	-
<u>47,323</u>	<u>28,558</u>	<u>190,724</u>	<u>266,605</u>	<u>68,723</u>	<u>469,604</u>
<u>\$ 47,323</u>	<u>\$ 28,558</u>	<u>\$ 190,724</u>	<u>\$ 266,605</u>	<u>\$ 68,723</u>	<u>\$ 636,152</u>

RICHFIELD CITY, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Debt Service			
	1994 Street Improvement District	SID Guaranty	Main St. Improvement	Total
Revenues				
Special assessments	\$ 7,613	\$ -	\$ 81,175	\$ 88,788
Property taxes	-	24,510	-	24,510
Rental income	-	-	-	-
Investment earnings	2,981	-	11,917	14,898
Other revenues	-	3,327	-	3,327
	<u>10,594</u>	<u>27,837</u>	<u>93,092</u>	<u>131,523</u>
Expenditures				
Current:				
General government	-	-	750	750
Principal	-	-	76,000	76,000
Interest	-	-	16,570	16,570
	<u>-</u>	<u>-</u>	<u>93,320</u>	<u>93,320</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>93,320</u>	<u>93,320</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,594</u>	<u>27,837</u>	<u>(228)</u>	<u>38,203</u>
Other Financing Sources (Uses)				
Operating transfers in	90,000	-	-	90,000
Operating transfers out	-	(90,000)	-	(90,000)
	<u>90,000</u>	<u>(90,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>90,000</u>	<u>(90,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	100,594	(62,163)	(228)	38,203
Fund balances, beginning of year	(98,416)	73,578	120,911	96,073
Fund balances, end of year	<u>\$ 2,178</u>	<u>\$ 11,415</u>	<u>\$ 120,683</u>	<u>\$ 134,276</u>

Special Revenue				Permanent Fund	Total Nonmajor Governmental Funds
Redevelopment Agency	Peterson UDAG	Building Authority	Total	Perpetual Care	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,788
181,602	-	-	181,602	-	206,112
-	-	290,667	290,667	-	290,667
-	2,116	4,146	6,262	2,960	24,120
-	-	-	-	10,981	14,308
181,602	2,116	294,813	478,531	13,941	623,995
143,506	-	4,514	148,020	-	148,770
-	-	242,000	242,000	-	318,000
-	-	44,160	44,160	-	60,730
143,506	-	290,674	434,180	-	527,500
38,096	2,116	4,139	44,351	13,941	96,495
-	-	-	-	-	90,000
-	(42,952)	-	(42,952)	(12,021)	(144,973)
-	(42,952)	-	(42,952)	(12,021)	(54,973)
38,096	(40,836)	4,139	1,399	1,920	41,522
9,227	69,394	186,585	265,206	66,803	428,082
\$ 47,323	\$ 28,558	\$ 190,724	\$ 266,605	\$ 68,723	\$ 469,604

RICHFIELD CITY, UTAH
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2006

	<u>Landfill Fund</u>	<u>Refuse Collection</u>	<u>Totals 2006</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ -	\$ 13,603	\$ 13,603
Receivables, net of allowance	21,287	18,752	40,039
Due from other funds	-	3,697	3,697
Total current assets	<u>21,287</u>	<u>36,052</u>	<u>57,339</u>
Total assets	<u>21,287</u>	<u>36,052</u>	<u>57,339</u>
Liabilities			
Current liabilities:			
Accounts payable	17,590	16,851	34,441
Due to other funds	<u>3,697</u>	<u>-</u>	<u>3,697</u>
Total current liabilities	<u>21,287</u>	<u>16,851</u>	<u>38,138</u>
Total liabilities	<u>21,287</u>	<u>16,851</u>	<u>38,138</u>
Net Assets			
Unrestricted	<u>-</u>	<u>19,201</u>	<u>19,201</u>
Total net assets	<u>\$ -</u>	<u>\$ 19,201</u>	<u>\$ 19,201</u>

RICHFIELD CITY, UTAH
Combining Statement of Revenues, Expenses and Changes in Net Assets
Nonmajor Proprietary Funds
For the Year Ended June 30, 2006

	<u>Landfill Fund</u>	<u>Refuse Collection</u>	<u>Totals 2006</u>
Operating revenues:			
Charges for services	\$ 229,536	\$ 201,587	\$ 431,123
Total operating revenues	<u>229,536</u>	<u>201,587</u>	<u>431,123</u>
Operating expenses:			
Bad debts	139	117	256
Contractual services	211,838	194,829	406,667
Office expense	-	3,694	3,694
Total operating expenses	<u>211,977</u>	<u>198,640</u>	<u>410,617</u>
Operating income (loss)	<u>17,559</u>	<u>2,947</u>	<u>20,506</u>
Contributions and transfers:			
Transfers to other funds	<u>(17,559)</u>	-	<u>(17,559)</u>
Change in net assets	-	2,947	2,947
Total net assets, beginning of year,	-	16,254	16,254
Total net assets, end of year	<u>\$ -</u>	<u>\$ 19,201</u>	<u>\$ 19,201</u>

RICHFIELD CITY, UTAH
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended June 30, 2006

	<u>Landfill Fund</u>	<u>Refuse Collection</u>	<u>Totals 2006</u>
Cash flows from operating activities:			
Cash received from customers, service fees	\$ 229,412	\$ 200,642	\$ 430,054
Cash paid to suppliers	(226,113)	(201,249)	(427,362)
Net cash flows from operating activities	<u>3,299</u>	<u>(607)</u>	<u>2,692</u>
Cash flows from noncapital financing activities:			
Transfers (to) from other funds	(17,559)	-	(17,559)
Net cash flows from noncapital financing activities	<u>(17,559)</u>	<u>-</u>	<u>(17,559)</u>
Net change in cash and cash equivalents	(14,260)	(607)	(14,867)
Cash and cash equivalents, beginning of year	14,260	14,210	28,470
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 13,603</u>	<u>\$ 13,603</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:			
Net operating income (loss)	\$ 17,559	\$ 2,947	\$ 20,506
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities			
Changes in operating assets and liabilities:			
(Increase) Decrease in receivables	(124)	(945)	(1,069)
(Increase) Decrease in due from other funds	-	(3,697)	(3,697)
Increase (Decrease) in accounts payable	(17,833)	1,088	(16,745)
Increase (Decrease) in due to other funds	<u>3,697</u>	<u>-</u>	<u>3,697</u>
Net cash flows from operating activities	<u>\$ 3,299</u>	<u>\$ (607)</u>	<u>\$ 2,692</u>
Noncash investing, capital, and financing activities			
No items noted			

FEDERAL AND STATE REPORTS

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HINTON BURDICK

HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

MEMBERS:
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

The Honorable Mayor and
Members of the City Council
Richfield, Utah

We have audited the financial statements of Richfield City, Utah, as of and for the year ended June 30, 2006, and have issued our report thereon dated October 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Richfield City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance, which we have reported to management of Richfield City in a separate letter dated October 27, 2006.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Richfield City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the mayor, audit committee, management, and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

While these reports are intended to be used by the specified parties, which include the applicable government regulatory bodies which require the reports, this report restriction does not alter the fact that the audit reports are public documents which, based on Utah laws, must be open to inspection by any interested person.

Hinton, Burdick, Hall & Spilker PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC

October 27, 2006



MEMBERS:

KRIS J. BRAUNBERGER
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MICHAEL K. SPILKER
MARK E. TICHENOR

**Independent Auditors' Report on
State Legal Compliance**

The Honorable Mayor and
Members of the City Council
Richfield, Utah

We have audited the basic financial statements of Richfield City, Utah, for the year ended June 30, 2006, and have issued our report thereon dated October 27, 2006. As part of our audit, we have audited Richfield City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Liquor Law Enforcement
B & C Road Funds
Other General Compliance Issues
Department of Commerce
Impact Fees & Other Development Fees
Asset Forfeitures

The management of Richfield City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material non-compliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of non-compliance with the requirements referred to above, which are described in the accompanying schedule of findings and recommendations. We considered these instances of non-compliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Richfield City, Utah, complied, in all material aspects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort; or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Hinton, Burdick, Hall + Spilker, PLLC
HINTON, BURDICK, HALL & SPILKER, PLLC
October 27, 2006



Findings and Recommendations

The Honorable Mayor and
City Council
Richfield City, Utah

Ladies and Gentlemen:

During our audit of the funds of Richfield City for the fiscal year ended June 30, 2006, we noted several improvements in the City's accounting and budgeting system and wish to commend the City for making several needed changes and improvements. We noted several areas needing corrective action in order for the City to be in compliance with state laws and regulations. These items are discussed below for your consideration.

State Compliance Findings and Recommendations:

06-01. Budgetary Compliance - Exceeding Budget Appropriations

Finding

The Fiscal Procedures Act for Utah Cities requires cities to restrict expenditures to the authorized department budget. The City was over-budget in various departments in the general fund. We also noted that the building authority and capital projects funds were over budget in total expenditures

Recommendation

We recommend that the City operate within the confines of State law by limiting expenditures or following proper procedures to adjust the departmental budgets.

Managements' Response

We concur with the finding and recommendation.

MEMBERS:

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06-02. Cash Receipts Deposit Compliance

During our test work of cash receipts deposits made within three business days, we noted that the Golf Course had instance of not depositing within the requirement time frame.

Recommendation

We recommend that the City deposit all cash receipts within three business days

Managements' Response

We concur with the finding and recommendation.

06-03. Bonding for City Treasurer

We noted that the City Treasurer is under bonded per *Utah Code 51-7-15*.

Recommendation

We recommend that the City obtain sufficient bonding for the City Treasurer to be in compliance with State Statute.

Managements' Response

We concur with the finding and recommendation.

General Findings and Recommendations:

06-01. Daily Golf Cash Receipts

We noted during our testwork of daily golf cash receipts that in several instances, the total revenues per the daily golf register did not agree to the daily cash register sales report.

Recommendation

We recommend that the City take appropriate steps to ensure that the daily golf register totals agree to the daily sales report and that any discrepancies are properly reconciled.

Management's Response

We concur with the finding and recommendation.

This letter is intended solely for the use of the city council and management.

It has been a pleasure to be of service to the City this past year. We would like to express special thanks to each of you who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,

Hinton, Burdick, Hall & Spilker PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC

October 27, 2006

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SUPPLEMENTARY INFORMATION

Richfield City Corporation

Schedule of Impact Fee Collections (Sewer)

Date Impact Fees Received	Amount Received	Project or Development	Project for which Impact Fees were Used	Project Scheduled for Expenditure
7/11/2005	\$1,406.25	Walley Properties/114	2004/2005 Water Improvements	N/A
7/11/2005	\$1,406.25	Walley Properties/190	2004/2005 Water Improvements	N/A
7/29/2005	\$2,250.00	Regina Dickinson Home	2004/2005 Water Improvements	N/A
8/18/2005	\$2,000.00	Cory Winkle Subdivision Lot 5	2004/2005 Water Improvements	N/A
8/18/2005	\$2,000.00	Cory Winkle Subdivision Lot 7	2004/2005 Water Improvements	N/A
8/31/2005	\$2,250.00	Brady Nielson Home	2004/2005 Water Improvements	N/A
9/8/2005	\$4,500.00	Cove Devel. Homes	2004/2005 Water Improvements	N/A
9/16/2005	\$2,250.00	James Dicus Home	2004/2005 Water Improvements	N/A
9/20/2005	\$2,250.00	Alma Magleby Home	2004/2005 Water Improvements	N/A
10/6/2005	\$2,250.00	Steve MacDonald Home	2004/2005 Water Improvements	N/A
10/14/2005	\$1,406.25	Walley Properties/160	2004/2005 Water Improvements	N/A
10/31/2005	\$2,250.00	Allen Higgs Home	2004/2005 Water Improvements	N/A
11/4/2005	\$2,250.00	Craig Blake Home	2004/2005 Water Improvements	N/A
11/16/2005	\$2,250.00	Eddie Lee Home	2004/2005 Water Improvements	N/A
12/15/2005	\$18,000.00	Walnut Grove Devel. Condominiums	2004/2005 Water Improvements	N/A
1/9/2006	\$2,250.00	Dee Mahan Home	2004/2005 Water Improvements	N/A
2/15/2006	\$2,250.00	Cory Winkle Subdivision	2004/2005 Water Improvements	N/A
2/15/2006	\$2,250.00	Cory Winkle Subdivision	2004/2005 Water Improvements	N/A
3/15/2006	\$2,250.00	Emily Bogh Home	2004/2005 Water Improvements	N/A
3/20/2006	\$2,250.00	Joh Byers Home	2004/2005 Water Improvements	N/A
3/22/2006	\$2,250.00	Roger Gould Home	2004/2005 Water Improvements	N/A
3/23/2006	\$2,250.00	Matt Harmon Home	2004/2005 Water Improvements	N/A
3/27/2006	\$9,000.00	Walnut Grove Devel. Condominiums	2004/2005 Water Improvements	N/A
4/17/2006	\$2,250.00	Kirby Gardner Home	2004/2005 Water Improvements	N/A
4/21/2006	\$2,250.00	Lindsey McDonald Home	2004/2005 Water Improvements	N/A
4/25/2006	\$2,250.00	William T. Gardner Home	2004/2005 Water Improvements	N/A
5/4/2006	\$2,250.00	Quality Home Builders Home	2004/2005 Water Improvements	N/A
	<u>\$82,468.75</u>			

In the year 2000, Richfield City constructed and replaced several sewer mains throughout the City in order to accommodate growth. Also, in 1983 a sewer lagoon was constructed with a capacity to accommodate a population of between fifteen and twenty thousand people. These two projects were constructed for a combined cost of \$7,000,000. Impact fees are being used to pay for the oversizing of the lagoons, and the increased size of pipes needed for growth.

\$7,000,000.00 Improvements
 (\$78,987.50) 2004/2005 Impact Fees used
 (\$82,468.75) 2005/2006 Impact Fees used

Richfield City Corporation

Schedule of Impact Fee Collections (Water)

Date Impact Fees Received	Amount Received	Project or Development	Capital Project for which Impact Fees are/were Budgeted	Project Scheduled for Expenditure
7/11/2005	\$1,406.25	Walley Properties/114	2004/2005 Water Improvements	N/A
7/11/2005	\$1,406.25	Walley Properties/190	2004/2005 Water Improvements	N/A
7/29/2005	\$2,250.00	Regina Dickinson Home	2004/2005 Water Improvements	N/A
8/18/2005	\$1,000.00	Cory Winkle Subdivision Lot 5	2004/2005 Water Improvements	N/A
8/18/2005	\$1,000.00	Cory Winkle Subdivision Lot 7	2004/2005 Water Improvements	N/A
8/31/2005	\$2,250.00	Brady Nielson Home	2004/2005 Water Improvements	N/A
9/8/2005	\$4,500.00	Cove Devel. Homes	2004/2005 Water Improvements	N/A
9/16/2005	\$2,250.00	James Dicus Home	2004/2005 Water Improvements	N/A
9/20/2005	\$2,250.00	Alma Magleby Home	2004/2005 Water Improvements	N/A
9/28/2005	\$5,265.00	Winkle Dist. Warehouse Dev.	2004/2005 Water Improvements	N/A
10/6/2005	\$2,250.00	Steve MacDonald Home	2004/2005 Water Improvements	N/A
10/14/2005	\$1,406.25	Walley Properties/160	2004/2005 Water Improvements	N/A
10/31/2005	\$2,250.00	Allen Higgs Home	2004/2005 Water Improvements	N/A
11/4/2005	\$2,250.00	Craig Blake Home	2004/2005 Water Improvements	N/A
11/16/2005	\$2,250.00	Eddie Lee Home	2004/2005 Water Improvements	N/A
12/15/2005	\$18,000.00	Walnut Grove Devel. Condominiums	2004/2005 Water Improvements	N/A
1/9/2006	\$2,250.00	Dee Mahan Home	2004/2005 Water Improvements	N/A
2/15/2006	\$2,250.00	Cory Winkle Subdivision	2004/2005 Water Improvements	N/A
2/15/2006	\$2,250.00	Cory Winkle Subdivision	2004/2005 Water Improvements	N/A
3/15/2006	\$2,250.00	Emily Bogh Home	2004/2005 Water Improvements	N/A
3/20/2006	\$2,250.00	Joh Byers Home	2004/2005 Water Improvements	N/A
3/22/2006	\$2,250.00	Roger Gould Home	2004/2005 Water Improvements	N/A
3/23/2006	\$2,250.00	Matt Harmon Home	2004/2005 Water Improvements	N/A
3/27/2006	\$9,000.00	Walnut Grove Devel. Condominiums	2004/2005 Water Improvements	N/A
4/17/2006	\$2,250.00	Kirby Gardner Home	2004/2005 Water Improvements	N/A
4/21/2006	\$2,250.00	Lindsey McDonald Home	2004/2005 Water Improvements	N/A
4/25/2006	\$2,250.00	William T. Gardner Home	2004/2005 Water Improvements	N/A
5/4/2006	\$2,250.00	Quality Home Builders Home	2004/2005 Water Improvements	N/A
<u>\$85,733.75</u>				

The 2004/2005 Water Improvement Project was needed as a result of growth. A new water tank was installed at a cost of \$1,000,000.00. Also, a new deep water well was drilled with the accompanying mechanical and building structures, and appropriate distribution lines. Also, a pump hose from the lower water system to the upper water system was installed in order to accommodate water shortages on one side of the other of the distribution system. The cost of the other improvements was \$1,700,000.00. Also, growth has required the City to purchase underground water rights. These rights were purchased as a direct result of growth and were purchased for \$800,000.

\$3,500,000.00 Water System Improvements
 (\$76,667.50) 2004/2005 Impact Fees Used
 (\$85,733.75) 2005/2006 Impact Fees Used

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